

BEFORE THE
POSTAL RATE COMMISSION
WASHINGTON, D.C. 20268-0001

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POSTAL RATE COMMISSION
OFFICE OF THE SECRETARY

POSTAL RATE AND FEE CHANGES, 2000

Docket No. R2000-1

UNITED STATES POSTAL SERVICE
INTERROGATORIES AND REQUESTS FOR PRODUCTION OF DOCUMENTS TO
COALITION OF RELIGIOUS PRESS ASSOCIATIONS WITNESS STAPERT
(USPS/CRPA-T1-1-12)

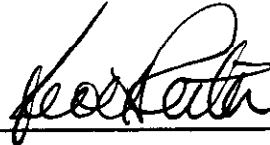
Pursuant to rules 25 and 26 of the Rules of Practice and procedure, the United States Postal Service directs the following interrogatories and requests for production of documents to Coalition of Religious Press Associations witness Stapert: USPS/CRPA-T1-1-12.

Respectfully submitted,

UNITED STATES POSTAL SERVICE

By its attorneys:

Daniel J. Foucheaux, Jr.
Chief Counsel, Ratemaking



Scott L. Reiter

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June 1, 2000

USPS/CRPA-T1-1. Please refer to page 3, lines 16 and 17 of your testimony where you state that "postal cost increases exceed normal inflation during a period of time when low inflation, as well as a healthy economy, characterized the U.S. economy."

- (a) Please state the time period to which you refer.
- (b) Please provide your definition of "low inflation" and a "healthy economy."
- (c) Is it possible that the U.S. economy in FY 2001 will not be characterized as a period of low inflation and a healthy economy? If your answer is other than yes, please explain fully why this is not possible.

USPS/CRPA-T1-2. Please refer to Table 8 on page 13 of USPS-T-9.

- (a) Please confirm that city deliveries, and rural boxes and route miles, are projected to increase during the period FY 1999-2001. If you do not confirm, please explain your answer.
- (b) Please confirm that increasing deliveries results in additional workload, which results in higher costs. If you do not confirm please explain fully.

USPS/CRPA-T1-3. Please refer to USPS-9C.

- (a) Please confirm that mail volume is projected to increase during the period FY 1999-2001 before rates. If you do not confirm, please explain your answer.
- (b) Please confirm that increasing mail volume results in additional workload, which results in higher costs. If you do not confirm, please explain fully.

USPS/CRPA-T1-4. On page 5, lines 3-4, of your testimony, you state: "[T]here is little if any justification for a 2.5% contingency allowance of nearly \$1.7 billion. USPS financial performance has exceeded expectations in recent years, and despite the Internet expansion that began since the Commission's last omnibus rate decision, volume in First class and Standard A continues to grow."

- (a) Please confirm that the purpose of the contingency is to protect against the adverse impact of unforeseen events and forecasting variances in the test year. If you do not confirm, please explain fully.
- (b) Please explain how you determined that Postal Service financial performance has exceeded expectations in recent years and specifically what time period is covered by your reference to recent years.
- (c) Please confirm that favorable financial performance in the past does not preclude the possibility that adverse events and losses may occur in the future. If you do not confirm, please explain why.
- (d) Is it your testimony that growth in First-Class and Standard A mail volume precludes the need for protection against the unknown in the test year?
- (e) Regarding the relationship you have assumed between mail volume growth and the contingency:
 - (i) How much growth over what period of time relates to what value of contingency?
 - (ii) How did you determine any purported relationship between mail volume growth and the contingency?
 - (iii) Is it possible to have mail volume growth and incur financial losses? If your answer is other than yes please explain why.

USPS/CRPA-T1-5. Please refer to page 9, line 20, of your testimony. You state that "current data in the latest Financial and Operating Statements , A/P 8, PFY 2000, p. 8, shows transportation costs (total mail volume) as 13.3% year-to-date above the same period last year." Is it your testimony that growth in transportation costs should relate exclusively to mail volume growth? If so, please explain fully and include in your answer an explanation of why inflation including the cost of fuel would not influence transportation costs.

USPS/CRPA-T1-6. Please refer to page 10, line 2, of your testimony where you state that "amazingly, USPS planned to spend over 13 % more this year than last for transportation, since these costs are 4.6% below plan (so rising fuel costs this year can't be the reason)." Please confirm that page 6 of the A/P 8 Financial and Operating Statements reflects that year-to-date transportation costs are 4.6% over plan.

USPS/CRPA-T1-7. Please refer to page 14, line 11, of your testimony where you state that "USPS witness Tayman was unable to articulate, why USPS needs nearly \$1.7 billion in a contingency allowance at a time when USPS continues to collect revenues in excess of costs."

- (a) Please confirm that the contingency applies to the test year. If you do not confirm, please explain what year or period of time is applicable to the contingency and why.
- (b) Please refer to Exhibit USPS-9A and confirm that USPS projects that costs will exceed revenue in the test year and a net loss of \$1.7 billion will be incurred. If you do not confirm, please explain fully.
- (c) Please refer to pages 43-45 of USPS-T-9. Is it your testimony that these pages do not articulate why the Postal Service feels it need a 2.5% contingency for the test year in this case? If your answer is other than no, please explain fully.

USPS/CRPA-T1-8. Please refer to your testimony on page 14, line 18, where you state that "a glance at the results of the last two omnibus rate cases is instructive: witness Tayman's Ex. USPS-9L shows cumulative positive earnings of \$15,653,000,000."

- (a) Please confirm that each dollar amount listed in the box labeled "R94-1 Cumulative FY 95-98" is a cumulative amount, e.g., the \$5.152 billion amount shown for FY 98 reflects the total net income for the period FY 95-FY98. If you do not confirm, please explain why.
- (b) Please confirm that the total of the net incomes earned or estimated for the period FY 95-00 is \$5,581 billion. If you do not confirm, please explain why.
- (c) Please confirm that the \$15,563,000,000 figure you have calculated overstates the amount of net income realized during the period FY 95-00 by approximately \$10.0 billion. If you do not confirm please explain why.

USPS/CRPA-T1-9. Please refer to page 14, line 20, of your testimony where you state "hopefully USPS will take the same 'risk' in this case as it did in those cases insofar as a low contingency is concerned."

- (a) Please define "low" in this context.
- (b) Please confirm that the cases to which you referred are Docket Nos. R97-1 and R94-1. If you do not confirm, please provide the cases to which you referred.

USPS/CRPA-T1-10. On page 14 line 7 of your testimony you state that "CRPA endorses the testimony of William Morrow of Crain Communications, an ABP and MPA member, on behalf of the Periodical Publishers in connection with the proper amount and application of the contingency allowance."

- (a) What is the total proper amount of the contingency recommended by witness Morrow which you endorse?
- (b) Please explain how the total contingency recommended by witness Morrow relates to your statement at page 14, line 20, of your testimony that "hopefully USPS will take the same 'risk' in this case as it did in those cases insofar as a low contingency is concerned."

USPS/CRPA-T1-11. Please refer to page 15, lines 1-3, of your testimony where you point out that the Postal Service realized a net income of \$1.0695 billion through A/P 7 PFY 2000 and speculate that the reason net income is below plan is because the plan may be deficient.

- (a) Please confirm that this amount is as of A/P 8, not A/P 7.
- (b) Please explain the basis for your inference that the plan is deficient, and provide all calculations and other documentation supporting your statement.
- (c) Please refer to Tr. 21/9218-19 and confirm that the Postal Service plan for FY 2000 reflects a net income of \$100 million. If you do not confirm, please explain why.
- (d) Is it possible the FY 2000 plan is not deficient? If your answer is other than yes, please explain why this is not possible.
- (e) If the plan is assumed not to be deficient, is it possible the Postal Service could incur a loss in FY 2000? If your answer is other than yes, please explain why this is not possible.

USPS/CRPA-T1-12. Please refer to page 15, lines 11 and 12, of your testimony where you state that "the contingency is a cash account which will be spent regardless of cost or revenue conditions in the test year."

- (a) Please confirm that the basis for your statement is Tr. 2/176, where witness Tayman stated that "the contingency is reflected as a test year expense and cash requirement." If you do not confirm, please explain the basis for your contention that "the contingency will be spent regardless of cost or revenue conditions in the test year."
- (b) Is it possible the contingency might not be used in the test year even though the Postal Service has *assumed* that it will be used for purposes of estimating interest expense and rate design? If your answer is other than yes, please explain why it not possible the contingency may not be used.

CERTIFICATE OF SERVICE

I hereby certify that I have this day served the foregoing document upon all participants of record in this proceeding in accordance with section 12 of the Rules of Practice.

A handwritten signature in black ink, appearing to read "Scott L. Reiter", written over a horizontal line.

Scott L. Reiter

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June 1, 2000